

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 30 JUNE 2024 17 July 2024

- Iron ore sales of **0.9 million wet metric tonnes (Mwmt)** for the June 2024 quarter at an average grade of 65.2% Fe, bringing total sales for the year ended 30 June 2024 (**FY24**) to **4.1 Mwmt** at 65.3% Fe, near the upper end of annual guidance of 3.8-4.2 Mwmt.
- **Strong Group operating cashflow of \$290 million generated in FY24** despite a weaker June quarter where cashflows of \$30 million were almost fully offset by adverse provisional pricing adjustments, resulting in a net quarterly cashflow of \$1 million.
- **Significant growth in the Company's cash and investment reserves during FY24 to \$436 million at 30 June 2024**, up from \$162 million at the start of the financial year, and excluding the Company's share and option holdings in Fenix Resources Limited which had a value of approximately \$20 million at year end. Mount Gibson's total cash and investment reserves equate to approximately \$0.37 per share.
- **Full year cash operating costs at Koolan Island of \$74/wmt sold Free on Board (FOB)** before royalties and capital projects, approximately 5% above guidance after averaging \$97/wmt FOB in the June quarter.
- Shipments and cargo grades in the September 2024 quarter will be temporarily lower as mining activity transitions as planned to the eastern areas of the Koolan Island Main Pit, after which high grade ore extraction and shipping rates will increase. Shipping guidance for **FY25 is 2.7-3.0 Mwmt** reflecting the transitioning activities and ground support work necessary for mining and shipping rates to increase through FY25 and the following year.
- Mount Gibson expects to report its FY24 annual financial results on 21 August 2024. In accordance with its obligations to review the book carrying value of the Koolan Island operation in the context of prevailing iron ore prices, the Company anticipates reporting a non-cash accounting impairment which will effectively bring forward depreciation and amortisation charges that would otherwise be incurred in future years.

Note: All currency is stated in Australian dollars unless noted otherwise. All financial results are unaudited and remain subject to final period-end adjustments.

Comment

Mount Gibson Chief Executive Officer Peter Kerr said: "Mount Gibson is pleased to report a strong production and financial performance for the 2023/24 financial year. Although the Company's cash generation slowed in the June quarter reflective of lower iron ore prices and adverse provisional pricing adjustments, the Koolan Island operation achieved near the upper end of FY24 sales guidance at 4.1 Mwmt grading 65.3% Fe. Cashflow generation in FY24 exceeded internal expectations with the Company's cash and investment reserves increasing to \$436 million at year end, with no bank borrowings and excluding the \$20 million equity holding in Mid-West operator Fenix Resources Limited.

"We enter the 2024/25 financial year with a strong base from which to generate cashflows from the high grade Koolan Island iron ore operation and to pursue new investment opportunities for the business."

SUMMARY STATISTICS

	Unit	Jun-23 Quarter	Sep-23 Quarter	Dec-23 Quarter	Mar-24 Quarter	Jun-24 Quarter	Annual FY24
Waste mined (incl. rehandle)	kwmt	968	692	736	425	339	2,192
Ore mined	kwmt	1,121	1,046	904	1,081	716	3,747
Total material moved	kwmt	2,089	1,738	1,640	1,506	1,055	5,939
Strip ratio	Waste:Ore	0.9	0.7	0.8	0.4	0.5	0.6
Processing throughput	kwmt	1,109	1,198	1,096	878	869	4,040
Fines ore sales	kwmt	1,249	1,331	1,113	711	872	4,027
Lump ore sales	kwmt	-	-	81	-	-	81
Total iron ore sales	kwmt	1,249	1,331	1,193	711	872	4,108
Average grade of iron ore sold	% Fe	65.5	65.5	65.3	65.4	65.2	65.3
Platts 62% Fe CFR price, average	US\$/dmt	111	114	128	124	112	119
Platts 65% Fe CFR price, average	US\$/dmt	124	125	139	136	126	131
Koolan fines FOB price, pre adjustment	US\$/dmt	111	105	109	123	103	109
Provisional pricing adjustments*	US\$/dmt	(8)	-	19	1	(22)	1
Koolan fines FOB price, after adjustment	US\$/dmt	103	105	128	124	81	110

Minor discrepancies may occur due to rounding.

kwmt = thousand wet metric tonnes.

US\$/dmt = USD per dry metric tonne.

CFR = cost and shipping freight included; FOB = free on board (i.e. shipping freight deducted).

* Koolan iron ore prices are shown on a FOB basis after shipping freight and specification penalties. Provisional pricing adjustments reflect realised (in-period) adjustments and, for half-year and annual reporting periods, estimates (if material) of unrealised adjustments for those shipment cargoes with future pricing periods, based on post-balance date observed prices.

Final pricing ultimately reflects monthly iron ore price averages up to two months after the shipment date.

For the purpose of wet to dry tonnage conversion, moisture content typically averages ~3% for Koolan Island iron ore products.

OPERATIONS

Safety

Safety is a key behavioural value for Mount Gibson with good safety improvements having been achieved by the site operating teams over the last two years. The Lost Time Injury Frequency Rate remained at zero incidents per one million manhours worked as at 30 June 2024 (rolling 12 months basis), and the rolling 12-month Total Recordable Injury Frequency Rate¹ declined further to 4.4 incidents per one million manhours worked, compared with 5.4 at the end of March 2024. These results are favourable when compared with applicable industry standards, and Mount Gibson strives for further improvements.

Koolan Island

Mining

Mining performance at Koolan Island during the June quarter focused on completing ore extraction from the base of the western zone of the Main Pit and preparing for the transition of future ore production from the eastern half of the Main Pit. With the depletion of historical high grade stockpiles in FY24, iron ore production and sales will be more directly aligned to mining extraction rates from the Main Pit going forward.

Mining in the western half of the Main Pit was completed in June, at a planned final depth approximately 170 metres below sea (mean tide) level. The western end of the pit is now established as a water collection sump and assists in efficient groundwater management and discharge from the Main Pit. During the quarter, mining also continued in some upper eastern benches where, as previously reported, production had been re-sequenced and brought forward to adjust for the central footwall rock fall which occurred in August 2023.

¹ Mount Gibson's definition of the Total Recordable Injury Frequency Rate (TRIFR) includes Lost Time Injuries, Restricted Work Injuries and Medically Treated Injuries. Using TRIFR provides a useful tool for safety conversations and active communication with the entire workforce to help prevent injury to Mount Gibson's personnel in their workplaces.

Operations are now transitioning to the central and eastern parts of the Main Pit, involving a reconfiguration of the primary haul ramp. The transition work will occur during the September 2024 quarter in which shipment rates and cargo grades will be temporarily reduced. In addition, ground support remediation activities are underway on the central footwall area impacted by the August 2023 rock fall to enable future extraction of the underlying high grade iron ore in that location. This work comprises a sequenced program of on-wall drilling and grouted-bolting, plus the installation of protective mesh and a safety barrier fence to enable the high-grade ore zones directly beneath this area to be safely extracted.

Ore production totalled 0.7 Mwmt in the June quarter and just over 3.7 Mwmt for FY24, with the waste-to-ore strip ratio averaging 0.5 for the quarter and 0.6 for the year. The stripping ratio is a key cost driver for the Koolan Island operation and although it will rise in the next 12 months in line with haul ramp repositioning and waste extraction cycles in the Main Pit, it is currently anticipated to average approximately 1.8:1 over the remaining 2-3 year mine life.

Processing

Processing volumes were consistent with the prior period totalling 0.9 Mwmt for the quarter, taking total ore processed in FY24 to 4.0 Mwmt. A mobile crushing contractor was on site in the June quarter to supplement the main plant to process harder oversize material from the central and eastern parts of Main Pit until the new tertiary crushing circuit is commissioned. Work on the tertiary unit is now being finalised, with commissioning imminent.

Shipments

Eleven shipments totalling 0.9 Mwmt were completed in the June quarter, averaging 65.2% Fe. Shipments for the FY24 financial year totalled 4.1 Mwmt grading 65.3% Fe, near the upper end of the Company's FY24 annual guidance of 3.8–4.2 Mwmt.

Shipping rates have recently moderated reflecting the depletion of high grade ore stockpiles which had been established in prior years, and will continue to be more closely aligned with ore extraction rates from the Main Pit. Further comments regarding shipping guidance are set out later in this report.

Cashflow and operating costs

Koolan Island incurred an operating cash outflow of \$1 million for the June 2024 quarter, reflecting positive operating cashflows of \$28 million before adverse provisional pricing adjustments totalling \$29 million. Ore sales revenue for the quarter totalled \$105 million (net of the provisional pricing deductions) and key expenditures comprised cash operating costs of \$84 million (equating to \$97/wmt sold), capital projects and purchases of \$12 million (including the tertiary crushing circuit and the footwall remediation ground support projects) and royalties of \$10 million.

For FY24, Koolan Island's operating result was an extremely positive one, with cashflow of \$284 million generated on ore sales revenues of \$670 million FOB and other income of \$4 million. Cash expenditure for the year comprised cash operating costs of \$302 million (equating to \$74/wmt sold FOB), capital projects and equipment purchases totalling \$24 million and royalties of \$64 million.

Further comments regarding revenue and realised pricing are contained in the Corporate section of this report.

Insurance

As previously reported, Mount Gibson received a total of \$10 million in insurance proceeds during prior periods to complete the property damage claim arising from the August 2022 processing plant fire incident at Koolan Island.

The Company continues to liaise with its insurers to finalise a business interruption claim resulting from the fire incident and will report the outcome in due course.

Mid-West

The divestment of most of the Company's former Mid-West iron ore mining and infrastructure assets to Fenix Resources Limited (**Fenix**) was completed in July 2023. Mount Gibson has an 8.6% shareholding in Fenix and holds additional options (two tranches of 12.5 million options each, with exercise prices of \$0.25 and \$0.30 per share respectively) which, if exercised, would increase Mount Gibson's shareholding to approximately 12% of Fenix.

Business Development and Exploration

Mount Gibson continues to examine and invest in opportunities consistent with the Company's objective to extend and grow its business into new operations, targeting the bulk commodities (iron ore, steel-making coal and bauxite) and base metals (copper, lead, zinc) sectors, primarily in Australia. Significant time is being devoted to new project generation, site visits and discussions with third parties with regard to further potential acquisition and partnering opportunities.

During the quarter, Mount Gibson increased its equity holdings in several junior resources companies where it is considered that future financing or strategic opportunities may arise. The market value of these holdings totalled approximately \$19 million at 30 June 2024, compared with the total positions of \$5 million at the end of March 2024.

The Company also continues to assess regional exploration opportunities for base metals deposits particularly in Western Australia and Queensland. During the June quarter, activity focused on interpreting data from the recently completed ground moving loop electromagnetic (MLEM) survey at the Baillys prospect near Mount Gibson's former Tallering Peak iron ore mine, and planning additional mapping at the Butchers Track project north of Tallering Peak. Negotiations also continued regarding potential farm-in and joint venture arrangements to prospective base metals exploration projects in the WA Goldfields region.

CORPORATE

Realised Pricing and Revenue

Iron ore prices weakened during the June 2024 quarter, with the Platts 62% Fe CFR fines price (including shipping freight) averaging US\$112/dmt, down from US\$124/dmt in the preceding quarter. The price briefly dipped below US\$100/dmt early in the June quarter before rising to touch US\$120/dmt and then retreating again to finish the quarter at US\$107/dmt. The price is currently around US\$108/dmt. The Platts CFR fines price for high grade 65% Fe fines in the quarter also declined to average US\$126/dmt compared with US\$136/dmt in the prior quarter, with the grade-adjusted premium increasing to 8%, up from 5% previously. Mount Gibson also benefited from the relative weakness of the Australian dollar which averaged A\$1.00/US\$0.659 in the quarter and US\$0.656 for FY24.

Shipping freight rates for Panamax vessel journeys from Koolan Island to China averaged approximately US\$14-15/tonne in the June quarter.

Sales from Koolan Island are made under long term offtake agreements on FOB terms, with pricing referencing high-grade (65% Fe) market indices and Panamax shipping freight rates, specification adjustments and penalties for impurities. Provisional prices reflect pricing averages prior to shipment departure, with the final pricing ultimately reflecting monthly iron ore price averages up to two months after shipment. For shipments which remain subject to provisional pricing adjustments in half-year and annual reporting periods, accrual estimates are recorded based on post-balance date observed prices, with adjustments made in subsequent periods once final prices are ascertained.

Ore sales revenue totalled \$105 million FOB for the quarter, after deduction of adverse provisional pricing adjustments of \$29 million which reflected weakened iron ore prices between the provisional invoices prepared at the time of shipment departure and the final pricing period up to two months later. Accordingly, the average realised fines price for the June quarter was adjusted from US\$103/dmt FOB to US\$81/dmt FOB. For FY24, ore sales revenue totalled \$670 million reflecting an average realised fines price of US\$109/dmt FOB.

Group Cashflow and Cash Position

The Group's net cashflow for the June quarter totalled \$1 million, comprising interest and other income of \$6 million, less corporate, administration and exploration costs totalling \$4 million and the net operating cash outflow of \$1 million from Koolan Island (after significant adverse provisional pricing adjustments) mentioned earlier in this report.

After quarterly working capital movements and the payment of \$2 million in tax instalments, the Company's cash and investments balance increased to \$436 million at 30 June 2024, excluding the share and option holdings in Fenix with a market value at year end of approximately \$20 million. This total cash and investment backing is equivalent to approximately \$0.37 per share.

FY25 Shipping Outlook

Mount Gibson achieved near the upper end of its sales guidance for FY24 with full year iron ore sales of 4.1 Mwmt at an average cash operating cost of \$74/wmt sold FOB (before royalties and capital projects).

As discussed in the Koolan Island section of this report, iron ore sales for FY25 are expected to be lower than in FY24 at 2.7-3.0 Mwmt, reflecting the prior depletion of high-grade stockpiles, the works to reposition the haul ramp in the current September 2024 quarter, and footwall remediation ground support activities.

Detailed ore sales and cost guidance will be provided with the Company's full year financial results.

FY24 Financial Results and Anticipated Impairment

Mount Gibson expects to release its financial results for FY24 on Wednesday, 21 August 2024.

In accordance with its obligations to review the book carrying value of the Koolan Island operation in the context of prevailing iron ore prices, the Company anticipates reporting a non-cash accounting impairment as at 30 June 2024 which will effectively bring forward depreciation and amortisation charges that would otherwise be incurred in future years. The amount of the impairment is under assessment.

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Mount Gibson will host an analysts/institutions teleconference at **10.30am AEDT (8.30am AWST) today, Wednesday 17 July 2024**. Investors will be able to listen to the teleconference by dialling **1800 896 323** immediately prior to the scheduled start time and entering the access code **76122632#** at the prompts. A recording of the teleconference will be available via the Mount Gibson website after completion of the teleconference. In case of difficulties, operator assistance can be reached on +61 2 8088 0900.



Figure 1: Koolan Island Main pit, looking to the east over the completed western end showing haul ramp-repositioning and switchback construction work and the western water management sump, July 2024.



Figure 2: Koolan Island Main pit, looking to the west over the high grade eastern ore benches, July 2024.

Competent Person Statements

Exploration Results

The information in this report that relates to Exploration Results including sampling techniques and data management is based on information compiled by Brett Morey, a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy. Mr Morey is a full-time employee of Mount Gibson Iron Limited and has sufficient experience relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Morey consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.